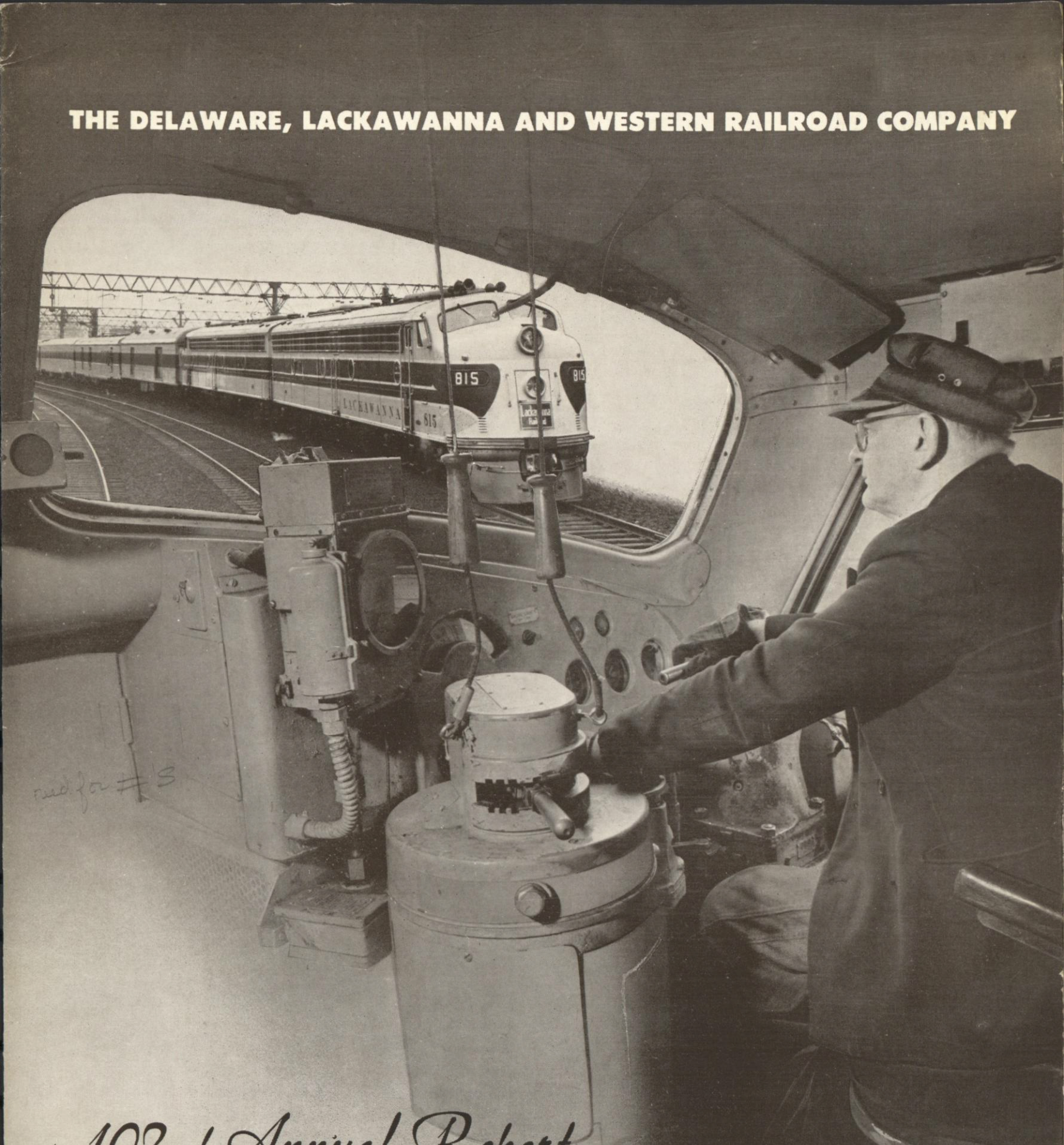
THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY



102nd Annual Report

for the year ended December 31, 1953

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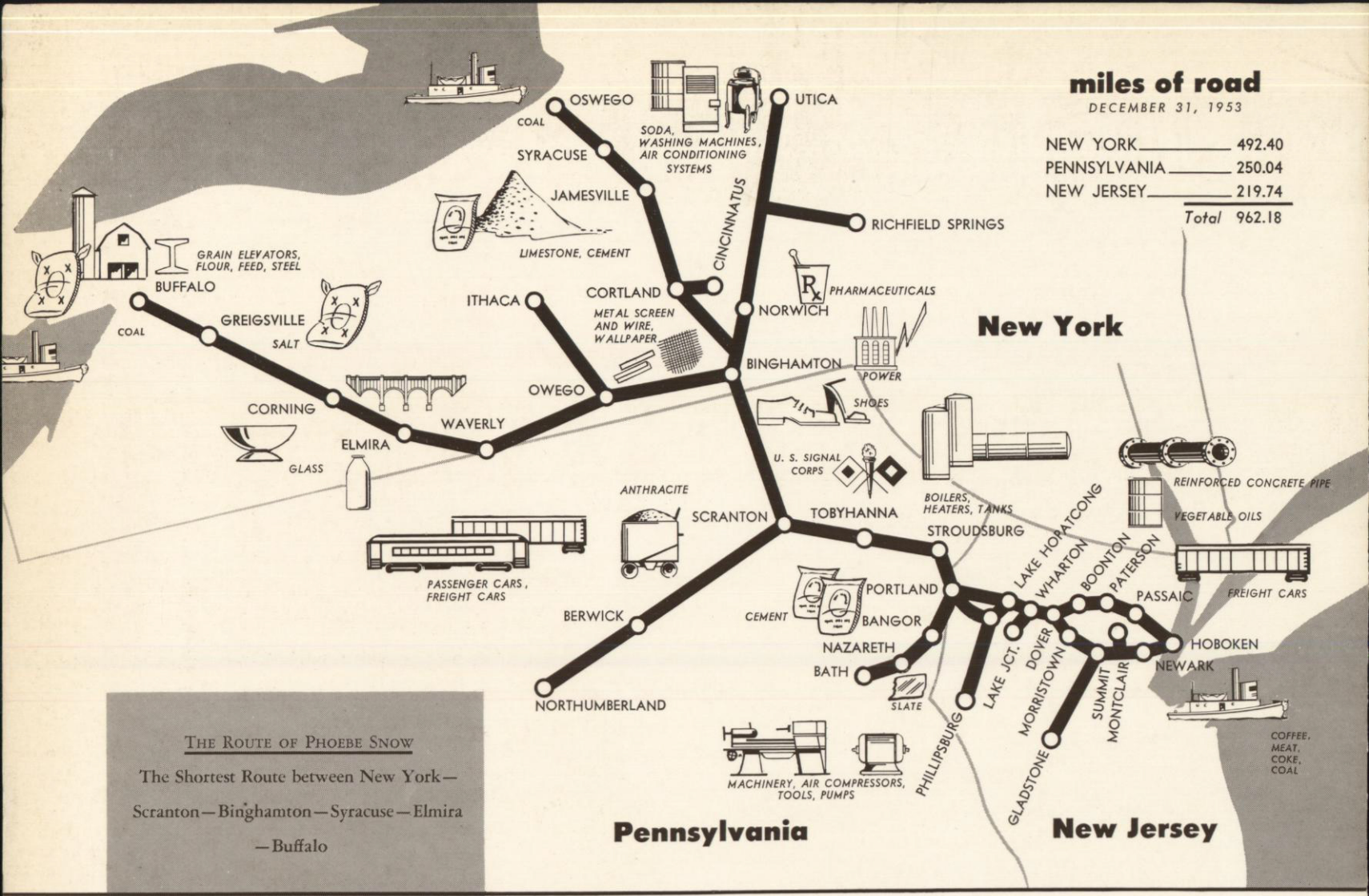

THE ROUTE OF PHOEBE SNOW

The Shortest Route between New York—Scranton—Binghamton—Syracuse—Elmira—Buffalo

LACKAWANNA RAILROAD

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HIGHLIGHTS

	1953	1952	Per Cent Change
Operating Revenues	$89,649,656	$93,174,746	— 3.78
Operating Expenses	$69,533,473	$71,650,086	— 2.95
Taxes	$ 9,869,503	$11,163,450	—11.59
Income Available for Fixed Charges	$12,073,905	$12,144,157	— .58
Fixed Charges	$ 4,923,527	$ 4,995,956	— 1.45
Contingent Interest	$ 498,499	$ 546,440	— 8.77
Net Income	$ 6,651,879	$ 6,601,761	+ .76
Net Income Per Share	$ 3.94	$ 3.91	+ .76
Average Number of Employees	10,894	11,613	— 6.19

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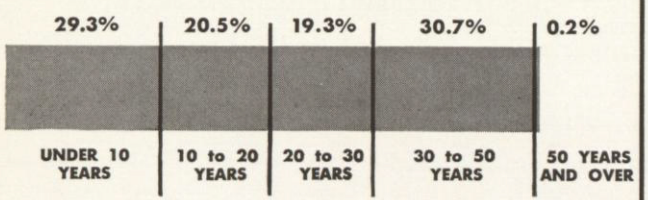
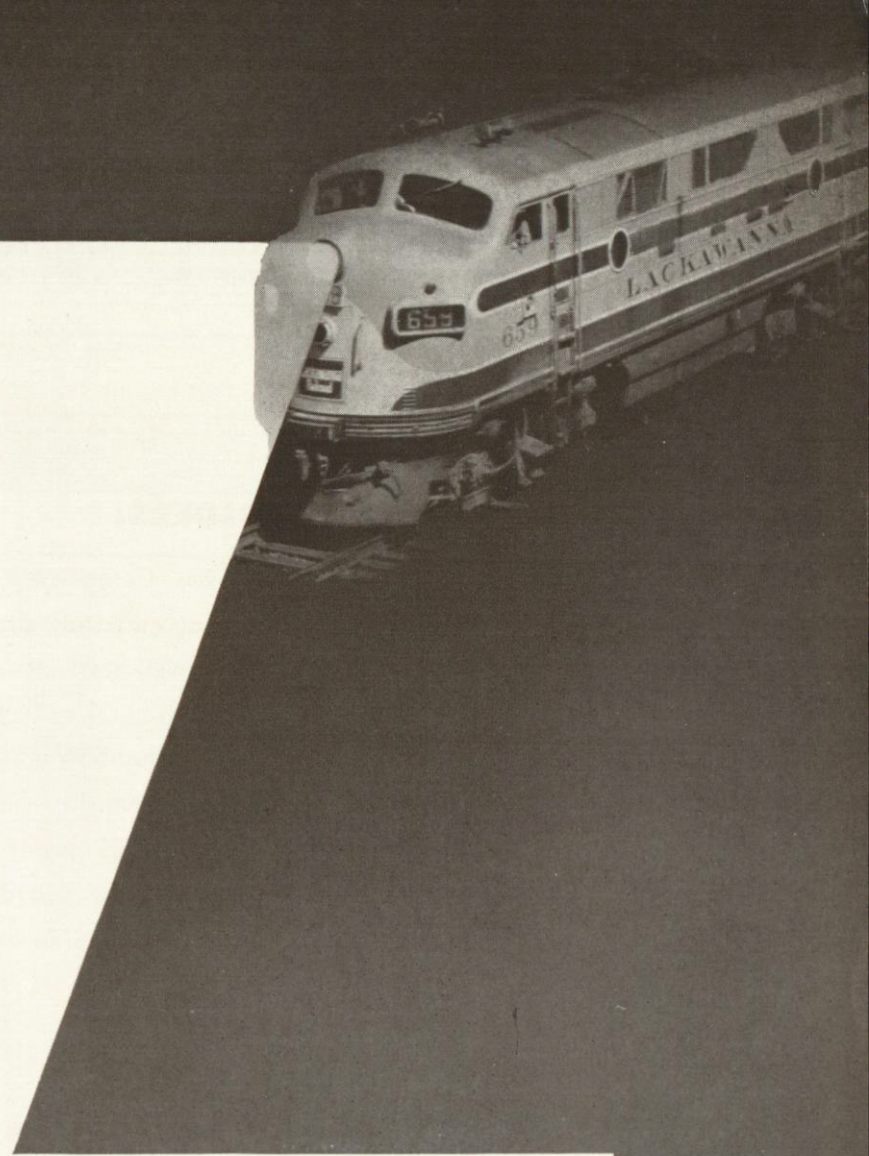
EMPLOYEES' LENGTH OF SERVICE





THE Lackawanna is fortunate in having loyal employees and cooperative stockholders to assist the management in the road's operation.

We are proud of our personnel's outstanding record of long service and the fact that the Lackawanna is owned by shareowners who reside in each of the 48 States, the District of Columbia, as well as U.S. Territories and foreign countries.

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The cover photograph shows a D. L. & W. hostler greeting the Lackawanna's most famous train "The Phoebe Snow" as it passes in the Hoboken Terminal.

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY
140 CEDAR STREET NEW YORK 6, N. Y.

PERRY M. SHOEMAKER
PRESIDENT

March 15, 1954

TO OUR STOCKHOLDERS:

The progress of the Company in 1953, the results attained in its operation, the accomplishments which improved its fundamental soundness for the future, all reflect loyalty and assistance from stockholders, constructive interest and fine workmanship on the part of officers and employees and encouraging support from the public. The Board of Managers and the President take pride in acknowledging their appreciation.

GENERAL RESULTS

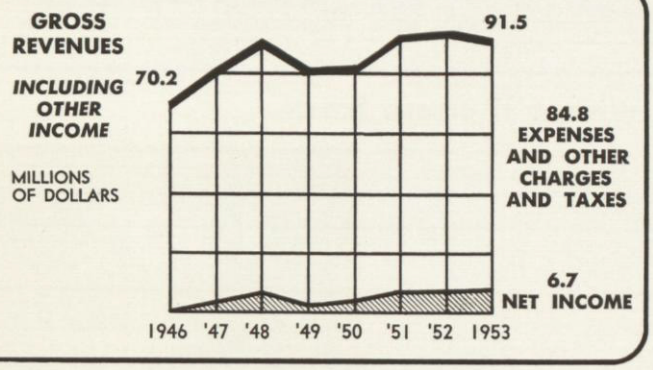
Net income for 1953 was $6,651,879, the highest since 1929, and equivalent to $3.94 per share. This compares with $6,601,761, or $3.91 per share for the previous year.

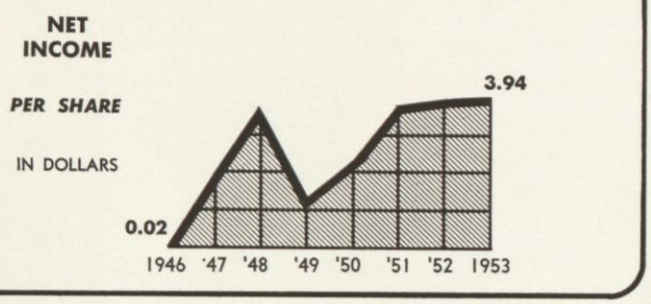
The 1953 gross revenue of $89,649,656, while 3.78% less than 1952, has been exceeded in the Company's history only by the years 1948 and 1952. Following the truce in Korea on July 17, 1953, there was a moderate and orderly downturn in business trends with a continuing period of readjustment extending into 1954. In spite of this, revenue from merchandise freight traffic reached a new high in 1953, being 2.2% higher than 1952.

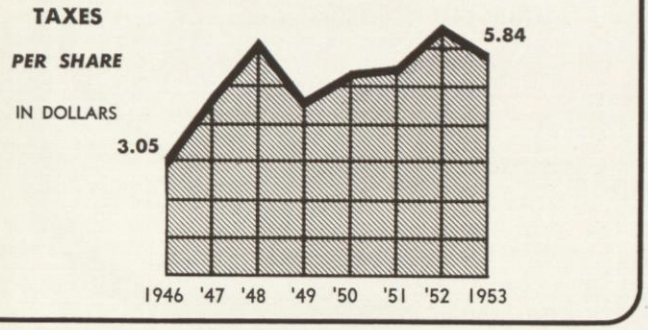
OUTLOOK FOR 1954

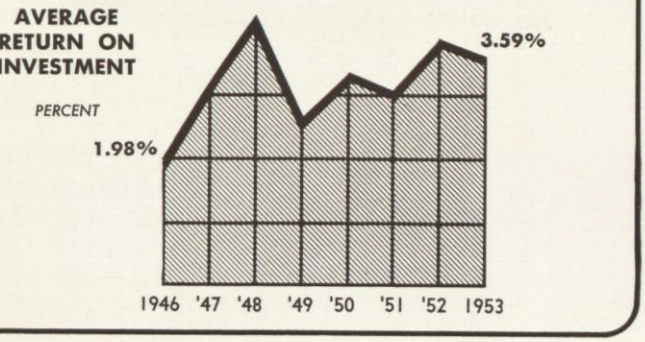
The railroads of the country enter 1954, after having spent more than nine billion dollars for capital improvements since the end of World War II, with their physical plant and equipment in unsurpassed condition. There is, nationally, encouraging emphasis upon better and more dependable service and upon rate analysis and adjustment, commodity by commodity, designed to increase the competitive attractiveness of railroad service. This faith in the future by our industry which in 1953 had on its payroll more than 1,200,000 persons, over 2% of the employed population of this country, is important to all railroad stockholders. It is particularly so to Lackawanna stockholders because, with the decline in anthracite, the Lackawanna Railroad has had the challenge of finding other traffic, much of which involves interline service and thus depends upon careful integration with that of connecting carriers.

1954 is viewed with relative optimism. It is believed that the business of the country will be reasonably high as measured by post-war standards. Including down payments









on new equipment and equipment installments, the 6-year period ended with 1953 reflected cash expenditures by our Company for additions and betterments of more than $44,-800,000. These expenditures are paying off in better service, better ability to meet the needs of the shipping and traveling public, a more economical maintenance and a generally better operation. With careful control over expenditures in 1954 and continued emphasis upon providing dependable service, supported by a continued campaign of aggressive selling, our goal is to achieve net income in 1954 approaching that of 1953.

REVENUES

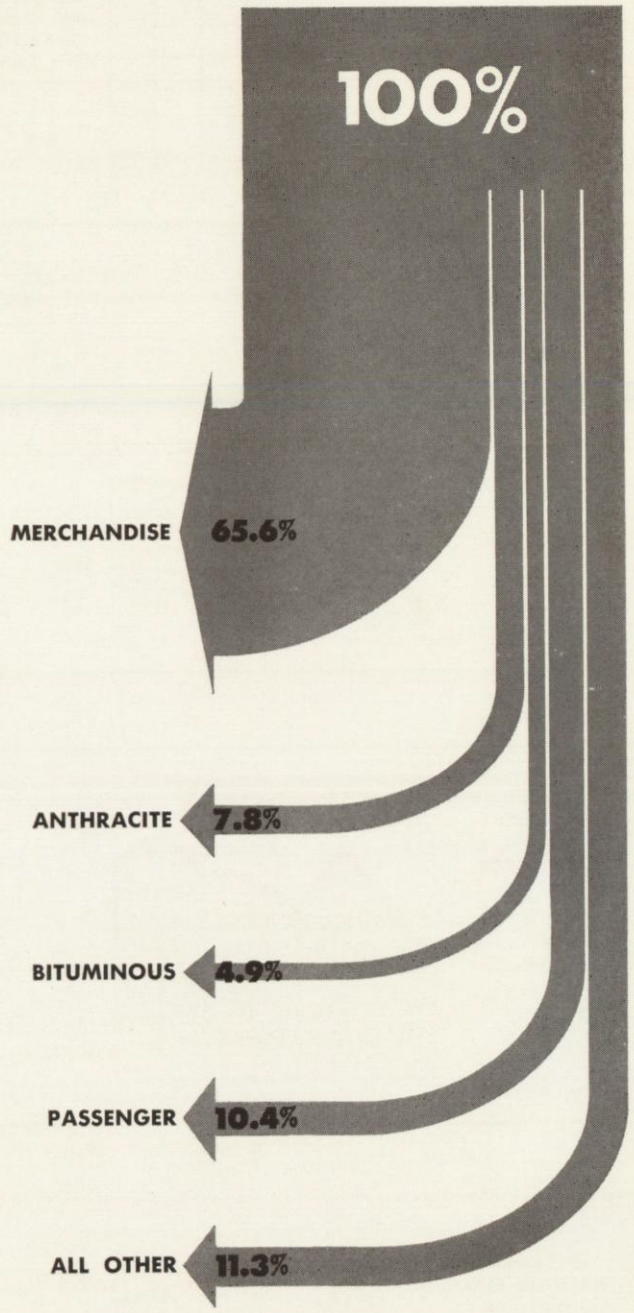
Outstanding revenue-wise were reductions in coal traffic amounting to more than three million dollars, or 31%, under 1952 for anthracite, and almost $600,000, or 12%, for bituminous. It is significant to realize that anthracite coal, in tonnage originated by our Company, has declined from 9,928,555 net tons in 1929 to 2,256,546 net tons in 1953, with the result that for the first time in the Lackawanna's recorded history anthracite tonnage took second place to bituminous coal in commodity ratings. However, because considerable bituminous coal involved terminal handling for trans-shipment by water, both on the basis of ton miles and revenue dollars anthracite was still the Lackawanna's number one commodity.

Of concern in the transportation of available anthracite is the continuation of intensive trucking competition. In the coal year 1951-1952, 24.7% of anthracite moved out of the mining territory by truck. In the coal year 1952-1953, this increased to 25.8%. The Lackawanna has suffered with other anthracite carriers by this competition, which offers lower than rail rates primarily because of enjoying at nominal expense the use of highways provided by taxpayers, which includes the railroads. The inroads of competitive fuels have caused the loss of substantial segments of former anthracite markets. This has led to the closing of many anthracite producing operations and reducing working time at others. However, the demand for steam sizes of anthracite in the commercial field is encouraging and offers some helpful possibilities of great railroad interest if present attempts to economically increase the availability of such sizes of coal are successful.

In 1929, 24.7 cents of the Lackawanna's revenue dollar came from anthracite coal. In 1949 this had dropped to 13.7 cents. In 1952 this had further dropped to 11.1 cents, and in 1953 it reached the all-time low of 7.9 cents. With the resulting necessity for substitute revenue, great emphasis upon the development of general merchandise revenue achieved gross revenues of $60,019,119 from this source, representing 67% of the Lackawanna's revenue dollar in 1953.

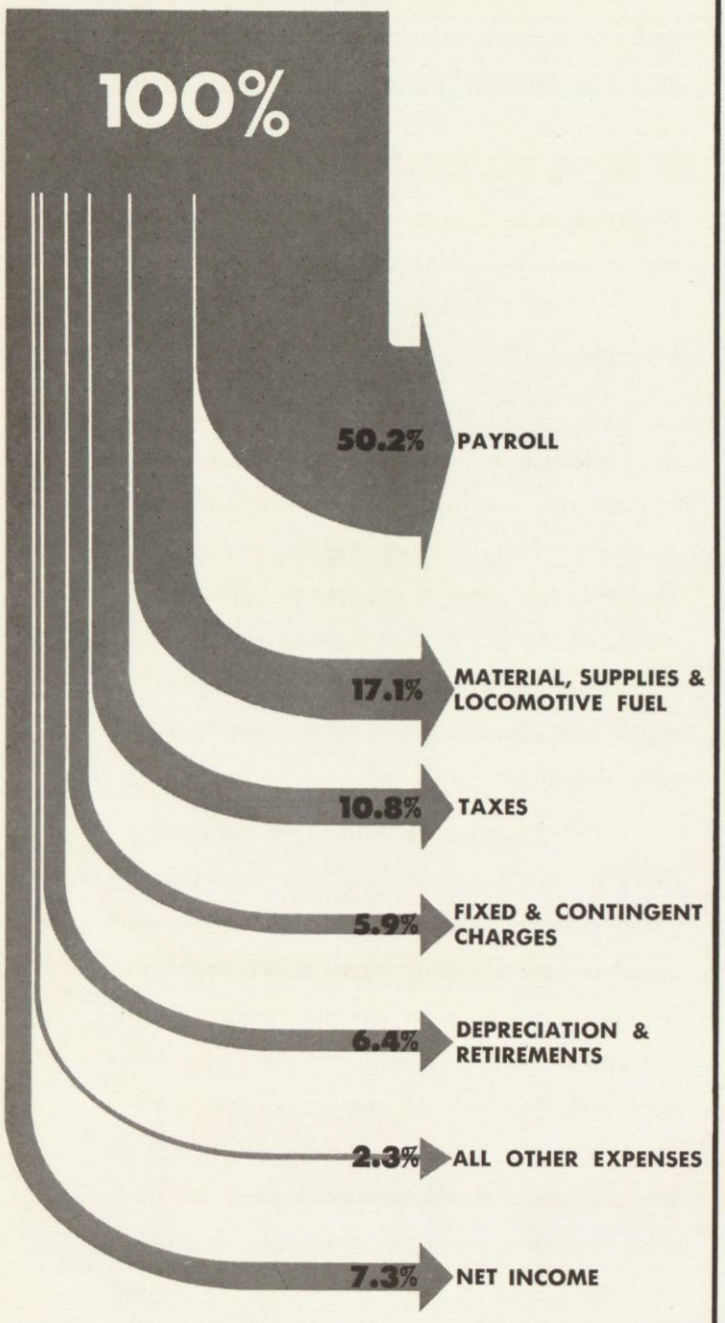
OUR 1953 INCOME

where it came from...



$91,535,715

where it went...



For the year, mail revenue showed an increase of almost 3%, and it is anticipated that some further improvements will result in 1954 as the result of a 10% increase negotiated between the Post Office Department and the railroads and retroactively effective as of October 1, 1953.

While express revenues declined 1.6%, with the steady progress toward mechanization of larger Express Agency operations and a continuation of the current emphasis upon efficiency of operation, it is not believed that further serious declines will obtain in 1954.

Milk revenue continued in 1953 to reflect intensive low-rate truck competition, with the result that our Company's milk revenue, largely involving the transportation of this commodity from central New York State points to Hoboken, declined 23.5% as compared with 1952.

RATES AND FARES

By Order of the Interstate Commerce Commission, dated April 11, 1952, there was granted a 15% increase in freight rates with certain exceptions. This increase was authorized but for a limited period and had an expiration date of February 28, 1954, although the higher wages and other costs which justified the rate increase had no expiration dates. Your Company, together with other railroads of the country, therefore, had no alternative

but to endeavor to make the 15% increase a part of the basic freight rate structure and thus eliminate the expiration date. On March 27, 1953, a petition for that purpose was filed with the Interstate Commerce Commission. On July 29th the Commission refused the request of the carriers to make the increase a part of the basic freight rate structure, but did extend the expiration date until the end of 1955.

To railroad management this is not only disappointing but seriously disturbing. With present freight rates only temporarily authorized, the railroads are left in a position of uncertainty as to the level of future freight revenues. A prudent operation of any business requires long-range planning. Like any other business this involves long-range commitments. It is obviously difficult to plan commitments for improvements and further modernization in the face of such uncertainty. This is not only of serious concern to your management, which has the responsibility for operating the property in a conservative and businesslike manner, but it is of equal concern to stockholders from the standpoint of their great interest in the stability of future earnings.

There were no changes made during the year in basic passenger fares.

FINANCIAL

There was purchased during the year $6,721,850 (par value) of outstanding bonds at a cost of $5,365,213. As a result of these large purchases the net fixed charges as of December 31, 1953 on outstanding bonds were reduced to $3,936,708 on an annual basis, and the current contingent interest was reduced to $509,657, leaving at the close of the year a total fixed and contingent interest of $4,446,365. The purchases included $861,000 Morris & Essex Construction Bonds, reducing the issue outstanding and due November 1, 1955 to $6,122,000, bearing interest of $289,980.

Your attention is again directed to the Lackawanna's mortgage indentures which require the determination and allocation of Available Net Income before the balance available for other corporate purposes is determined. Available Net Income is calculated by adding to Net Income (a) contingent interest and (b) non-depreciable road property retired and not replaced.

The General Sinking Fund must receive 60 per cent of Available Net Income (after certain deductions) plus an amount equal to any dividend paid. After providing for contingent interest, specific sinking funds, a Capital fund and other deductions from Available Net Income, and after making payment into the General Sinking Fund of an amount equal to the dividend paid, the balance for other corporate purposes, including dividends, was 90 cents per share as detailed on page 7.

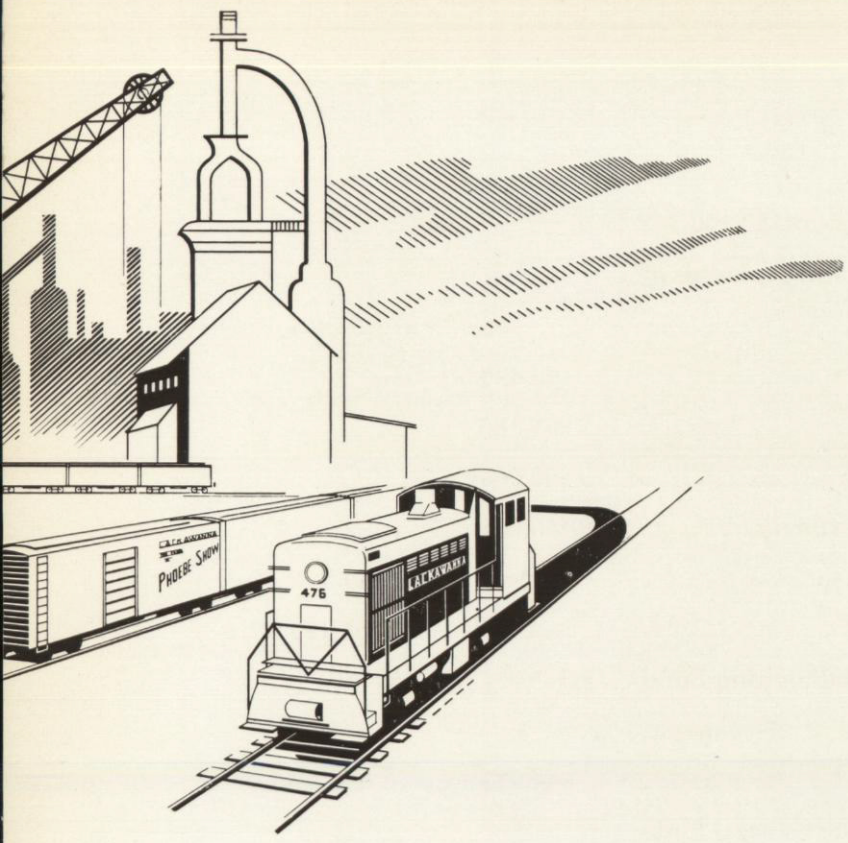
Available Net Income (net income after fixed charges of $7,150,378 plus non-depreciable road property retired and not replaced of $476,487)		$7,626,865
Contingent interest on bonds	$ 498,499	
Specific sinking funds	265,186	
A fund for capital improvements	500,000	
Reimbursement of the Treasury for New Jersey taxes (final)	458,061	
Total Deductions		1,721,746
The remainder, after these deductions, is		5,905,119
60% of the above amount must be applied to the General Sinking Fund	3,543,071	
There must be added an amount equal to the dividend of 50 cents per share paid in 1953, which was	844,412	
The sum of these two items represents a payment into the General Sinking Fund of		4,387,483
Balance for other corporate purposes (90 cents per share)		1,517,636

When fixed and contingent interest on bonds is reduced to $4,000,000 per year, only 20 per cent of the remainder of Available Net Income need be devoted to the General Sinking Fund instead of 60 per cent stated in the above table, and in addition the amount of the dividend need not be paid into the General Sinking Fund. To reduce the fixed and contingent interest to $4,000,000, it is necessary to purchase bonds the interest on which equals $156,385 in addition to the Morris & Essex Construction Mortgage Bonds due November 1, 1955. Thus this goal is likely to be attained not later than November 1, 1955.

The current position of the Company as of December 31, 1953, was good according to usual standards. Current assets amounted to $30,200,913 and current liabilities amounted to $10,098,811, a ratio of about 3 to 1 which is above the average. Exclusive of material and supplies, the ratio was 2.4 to 1.

TAXES

Federal, state and local taxes aggregated $9,869,503, a decrease of $1,293,947 or 11.59 per cent. Taxes took 11.01 cents of each dollar of revenue. Federal income taxes accounted for almost the entire reduction in



total taxes, due in most part to more rapid depreciation of war emergency facilities ($1,278,751) and retirement of steam facilities made useless by conversion to Diesel power.

Excessive taxation continued in the State of New Jersey. With 26.1% of our mileage in that state, the payment by this Company in 1953 amounted to $2,860,033. New Jersey continued to tax our railroad on a per-mile-of-line basis almost eight times the average for the country as a whole.

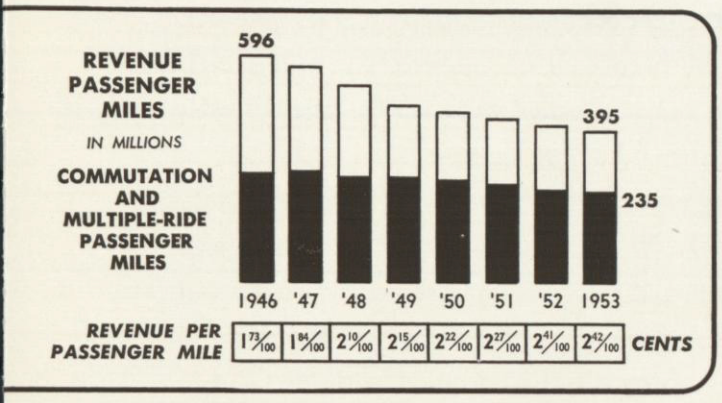
In addition to taxes paid, our Company collected and paid into the Federal treasury $9,915,584 in the form of excise taxes on freight charges and passenger fares, and from employees for railroad retirement and income taxes. The collection and payment of these taxes to government agencies involve the protection of the funds while in our custody and a considerable amount of clerical expense for none of which does the government reimburse us.

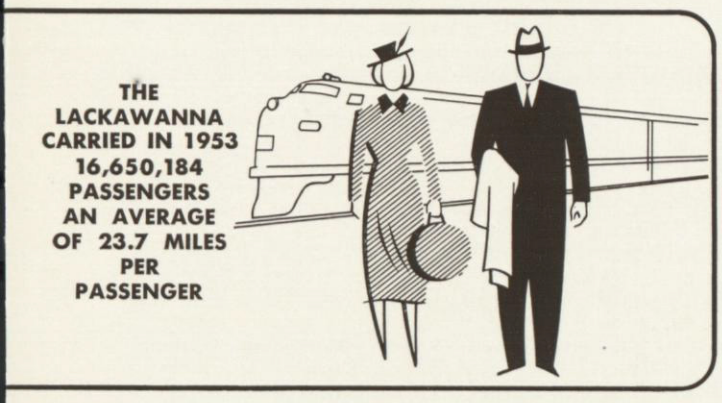
PASSENGER SERVICE

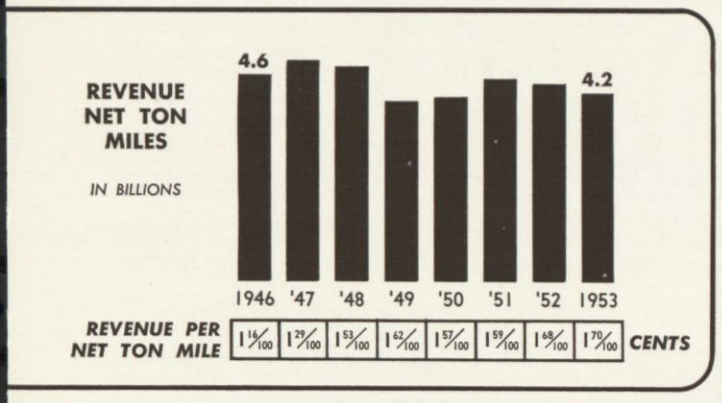
The trend of passenger traffic continues downward. Passengers handled during the year amounted to 16,650,184. This compares with 17,464,464 in 1952, a decrease of 814,280, or 4.66 per cent. Military travel by rail has fallen off sharply, much of it having been diverted to non-scheduled airlines.

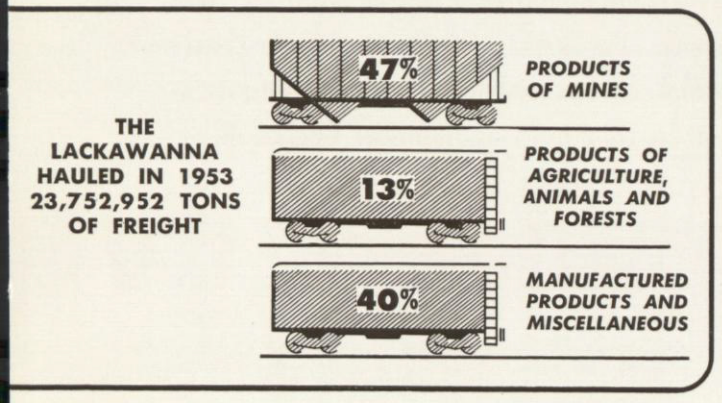
The Company has continued its efforts to eliminate unprofitable passenger trains. Such discontinuances require approval by regulatory bodies and are generally resisted in the local communities affected. On March 1st, train service reductions in Boonton Branch passenger service were placed in effect with encouraging cooperation from a committee representing the communities involved. This eliminated 75 trains per week and provided an out-of-pocket saving of $230,000 per year. Effective June 6, full dieselization was accomplished on the Boonton Branch and fares were raised to the higher level of the electric service on the Morristown line and its branches to Montclair and Gladstone.

Effective April 26th, the Christopher Street ferry was reduced from a three-









boat to a two-boat operation and on June 1st, to a one-boat operation. On November 11th, application was filed with the Interstate Commerce Commission to discontinue this ferry. If approved, this will save the Company an out-of-pocket loss of at least $200,000 per annum. Hearings are now pending and there should be a decision in 1954.

Further efforts must be made to reduce the loss from suburban passenger service, as it is not fair for stockholders and freight shippers to continue the heavy subsidy involved in the deficit burden presently resulting from that service.

In connection with both through passenger service and suburban service, the management of our Company has been gratified at the recurring indication of patron response to the high standard of courtesy and friendliness which has prevailed.

FREIGHT SERVICE

With splendid cooperation from its important connections, the Lackawanna improved in 1953 the integration of its scheduled freight service with through schedules of other lines to and from major centers. The pride and interest displayed by our officers and employees heightened the dependability of performance, with the result that the Lackawanna route is being increasingly recognized as a route of dependable service.

INDUSTRIAL DEVELOPMENT

The policy of the Management to attract more industries to our railroad was successfully continued in 1953. The location of 31 new industries at various points served by the Company was accomplished during the year involving additional business estimated at 9,447 cars per year. There were substantial additions to the productive capacity of 30 existing plants which should produce additional business estimated at 3,148 cars per year.

OPERATING EXPENSES AND EFFICIENCY

As compared with a reduction of 3.78% in gross revenues, operating expenses decreased $2,116,612, or 2.95%. Wage increases during the year accounted for an increased cost of $954,376. Increases in depreciation, retirements and fuel costs accounted for an additional one million dollars of expense. The physical property of our Company is in excellent condition. Both road and equipment have been well maintained. Revenue freight cars in bad order were 4.37% of ownership at the end of 1953 as compared with 4.60% at the end of 1952. During the year, 43.4 miles of track, together with 171 switches, were removed as not being essential to the necessities of operation. Additionally, the use of 72 structures was discontinued, with the facilities either removed, dismantled or sold.

While 1953's train load declined to 2,999 tons, a reduction of 40 tons under 1952, our gross ton miles per train hour, reflecting improved speed, reached 50,986, an all-time high record for the property. It is interesting to note that this compares with 1929's figure, under steam operation and with the high business of that period, of 24,670. Productivity of station labor continued to improve with tons per man-hour at 18 out of 20 major stations being greater than 1952. Further mechanization of maintenance of way and equipment work was successfully instituted.

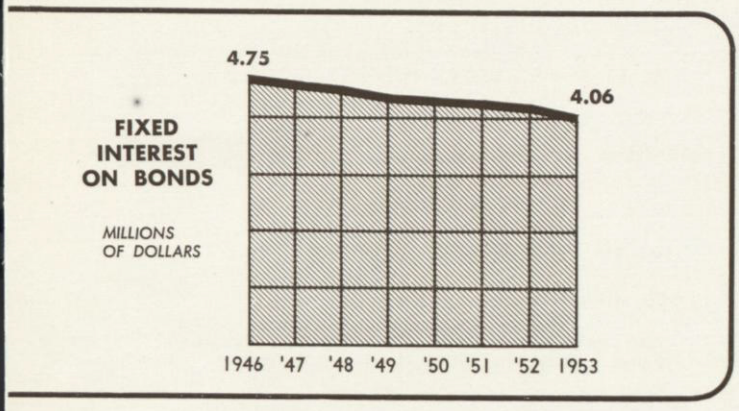
The careful supervision of material and supplies resulted in the Company's dollar balance being reduced at the end of December to $5,653,754, a decrease of $361,-748 from that obtaining at the end of 1952.

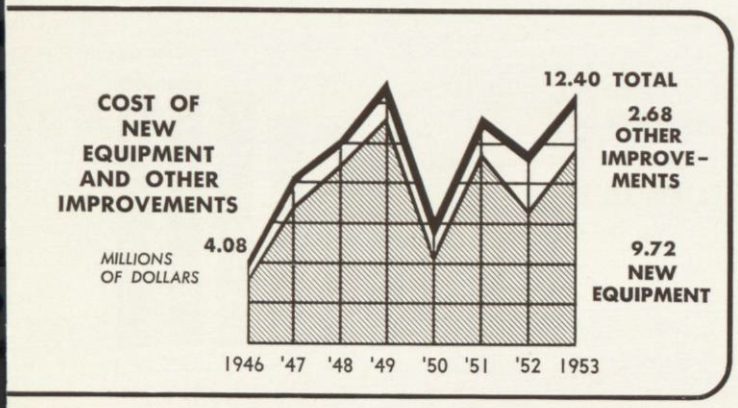
Since July 13th no steam engines have been operated in either yard or road service. The greater flexibilty of the Diesel locomotive has contributed to better service as well as to a more economical operation.

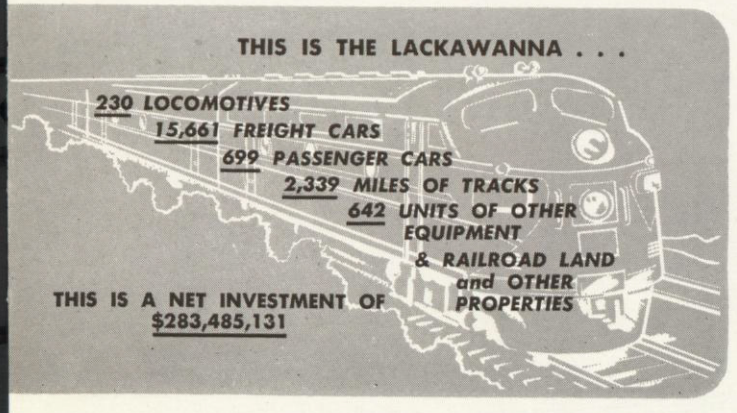
LABOR RELATIONS

There was a number of adjustments in railroad wage rates during the year, some up and some down, largely reflecting changes in the cost of living. The net result was an average wage rate in 1953 about four cents per hour higher than in 1952. The most important development in this field, however, was the filing of demands for either new wage increases or "fringe benefits" or both by all railroad labor organizations. These demands aggregate staggering sums and pose a serious problem to the railroad industry. The demands of the Brotherhood of Railroad Trainmen were settled nationally effective December 16th by agreement to increase basic rates by five cents per hour, to incorporate previous escalation adjustments aggregating 13 cents per hour in the basic rates, and to allow three weeks instead of two weeks vacation after 15 years of service. The Brotherhood of Locomotive Firemen and Enginemen has accepted a similar national settlement.

The dispute with non-operating employees involving "fringe benefits" is now in process of hearing before a Presidential Emergency Board, the position of the railroads being that the employees' proposals for health and welfare benefits and unrestricted free transportation privileges do not come within the category of subjects for collective bargaining under the Railway Labor Act.







ADDITIONS AND BETTERMENTS

Additional equipment purchased and delivered during the year and improvements made to existing equipment cost $10,-

168,647, and additions and improvements to buildings, tracks and other fixed property cost $1,999,291 or a total of $12,167,938. Equipment, facilities and other property having a book value of $9,500,603 were retired, making a net increase in transportation property of $2,667,335.

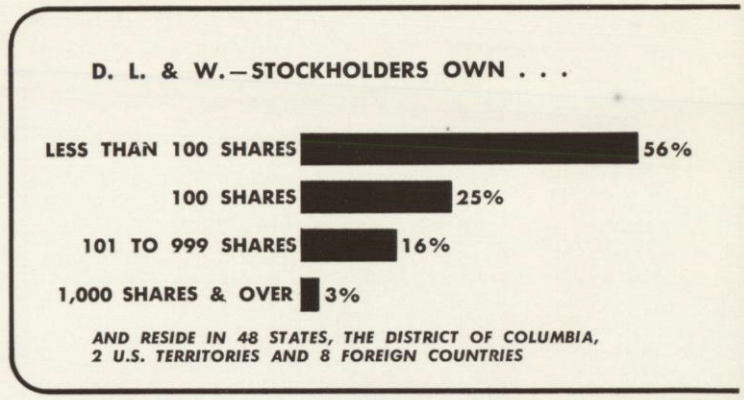
Additional equipment delivered during the year included 20 units of Diesel power, 500 hopper cars, 200 covered hopper cars, 24 caboose cars (built at Keyser Valley Shops) and 20 steel barges.

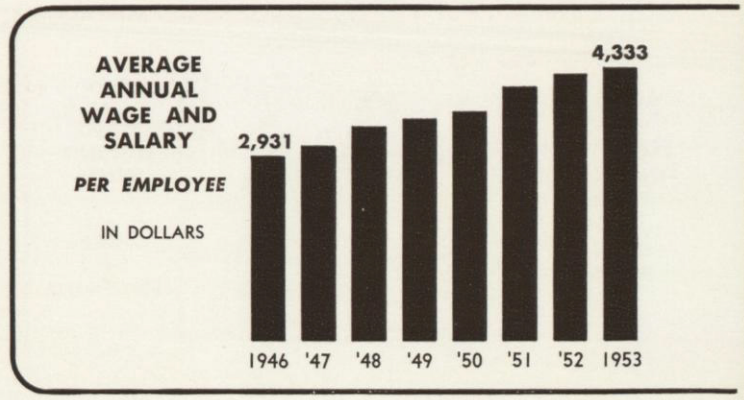
On order are 34 caboose cars to be built at the Company's Keyser Valley Shops, utilizing as underframes the cast steel frames of former steam locomotive tenders; also, ten additional steel barges which will complete the conversion to steel of all of the scows and barges of the Company's ownership used in New York Harbor. The remaining wooden freight handling equipment, upon receipt of this purchase, will be limited to derrick lighters.

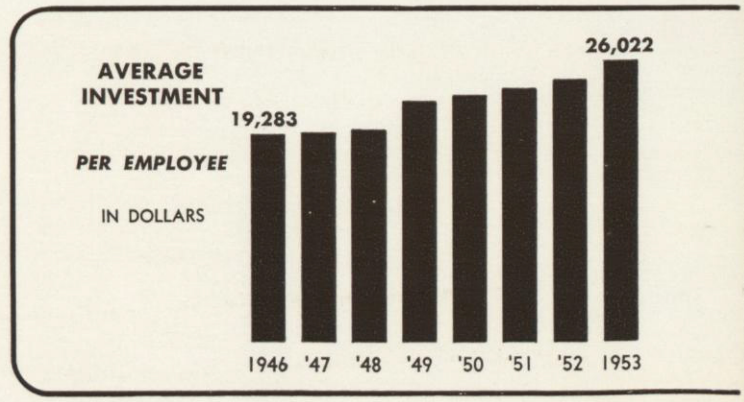
LEGISLATION

Your Company is actively supporting legislation in New York State which would eliminate the Full Crew Law presently requiring us to have an additional trainman on most freight and some passenger trains, which employee is not necessary for comparable operations in Pennsylvania or New Jersey.

At the national level we are actively supporting and solicit the assistance of stockholders in securing legislation which will reduce the time lag in the handling of rate cases by the Interstate Commerce Commission and which also will amend the Commission's prerogatives with respect to considering, as a valid justification for rate decisions, the effect of rates on the movement of traffic. In sub-







stance, we are saying that it is essential to the railroad industry that it have greater freedom to manage its own affairs and make its managerial decisions in respect to price, as the management of any competitive business should have.

Additionally, we are urging legislation to remove the tax upon transportation, which is presently 15% upon passenger fares and 3% on freight shipments. One particularly serious effect of the tax upon freight shipments, which was established as a temporary war revenue measure, is the encouragement it gives to private trucking which is free from such a burden.

NICKEL PLATE

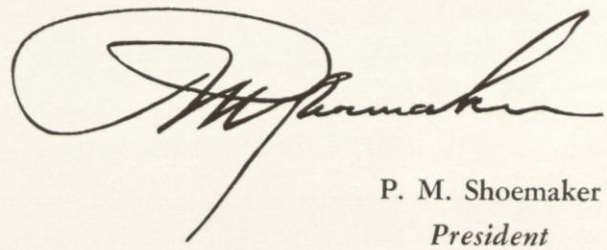
The effect of the stock dividend declared by Nickel Plate in 1953 raised our ownership of common stock from 330,000 shares to 363,000 shares, or 15.13% of the voting stock of Nickel Plate. Dividends of $783,750 were declared in 1953, and it is reasonable to expect that the $3.00 rate announced in November will continue through 1954.

The proceedings instituted by the Lackawanna before the Interstate Commerce Commission in August 1952, intended to open the way for Lackawanna to elect two directors, neither of whom would be an officer or director of Lackawanna, to Nickel Plate's Board, have progressed slowly. A hearing was completed in the fall of 1953 on the Lackawanna's motion to dismiss the proceeding because we believe that the election of two directors to the Nickel Plate Board in conjunction with our stock ownership would not give Lackawanna control of Nickel Plate. As this report goes to press the proposed findings of the Examiner of the Commission with respect to this matter have not yet been announced. It is to be emphasized that this dispute is basically a friendly one between Nickel Plate and Lackawanna. The close traffic relationship which has existed for many years between the two companies has continued without change. The two companies jointly have been among the most progressive in the industry in the direction of working out improvements in the dependability of joint through service.

PERSONNEL

At the close of 1953 Mr. W. G. White, formerly General Manager, was elected Vice President-Operation, and Mr. R. L. Davis, Jr., formerly General Counsel, was elected Vice President and General Counsel.

By order of the Board of Managers.



P. M. Shoemaker
President

GENERAL BALANCE SHEET

Assets	1953	1952	Increase	Decrease
Investments:				
Road Property	$226,639,202.84	$229,767,233.05	—	$3,128,030.21
Equipment Property	113,369,675.89	107,574,309.99	$5,795,365.90	—
Donations and Grants—Cr.	477,776.82	477,215.60	561.22	—
Investment in Transportation Property	339,531,101.91	336,864,327.44	2,666,774.47	—
Less:				
Accrued Depreciation—Road	17,391,594.20	18,050,591.79	—	658,997.59
Accrued Depreciation—Equipment	48,555,157.89	48,415,807.90	139,349.99	—
Accrued Amortization of Defense Projects—Road	30,326.99	30,326.99	—	—
Accrued Amortization of Defense Projects—Equipment	5,309,077.27	5,342,876.43	—	33,799.16
Net Book Value of Transportation Property	268,244,945.56	265,024,724.33	3,220,221.23	—
Sinking Funds	600.00	81,028.24	—	80,428.24
Capital and Other Reserve Funds	52,870.87	42,999.55	9,871.32	—
Miscellaneous Physical Property	12,056,604.67	10,329,076.39	1,727,528.28	—
Total	280,355,021.10	275,477,828.51	4,877,192.59	—
Investments in Affiliated Companies:				
Stocks	644,387.00	644,887.00	—	500.00
Bonds	200,000.00	200,000.00	—	—
Unsecured Notes	694,086.56	694,086.56	—	—
Investment Advances	2,520,130.27	2,518,354.24	1,776.03	—
Total	4,058,603.83	4,057,327.80	1,276.03	—
Other Investments:				
Stocks	4,741,006.39	4,741,006.39	—	—
Other Secured Obligations	293,127.66	375,187.31	—	82,059.65
Total	5,034,134.05	5,116,193.70	—	82,059.65
Total Investments	289,447,758.98	284,651,350.01	4,796,408.97	—
Current Assets:				
Cash	4,659,497.33	4,916,326.52	—	256,829.19
Temporary Cash Investments	7,631,589.21	5,811,711.50	1,819,877.71	—
Special Deposits	6,663,499.19*	8,649,671.22	—	1,986,172.03
Loans and Bills Receivable	19,500.00	17,500.00	2,000.00	—
Traffic and Car Service Balances—Dr.	586,757.86	445,443.33	141,314.53	—
Net Balances Receivable from Agents and Conductors	1,529,822.94	2,119,157.20	—	589,334.26
Miscellaneous Accounts Receivable	1,563,856.06	1,461,994.21	101,861.85	—
Material and Supplies	5,653,753.87	6,015,502.00	—	361,748.13
Interest and Dividends Receivable	288,176.75	182,382.33	105,794.42	—
Accrued Accounts Receivable	1,582,105.91	1,463,915.43	118,190.48	—
Other Current Assets	22,353.46	26,902.64	—	4,549.18
Total Current Assets	30,200,912.58	31,110,506.38	—	909,593.80
Deferred Assets:				
Working Fund Advances	141,476.89	141,610.90	—	134.01
Insurance and Other Funds	200,133.88	200,133.88	—	—
Other Deferred Assets	1,569,208.74	1,851,838.37	—	282,629.63
Total Deferred Assets	1,910,819.51	2,193,583.15	—	282,763.64
Unadjusted Debits:				
Prepayments	249,218.84	260,472.83	—	11,253.99
Discount on Funded Debt	—	1,807.40	—	1,807.40
Other Unadjusted Debits	329,699.13	262,220.76	67,478.37	—
Securities Issued or Assumed:				
Unpledged $10,637,600.00				
Pledged 26,289,000.00				
Total Unadjusted Debits	578,917.97	524,500.99	54,416.98	—
Grand Total	$322,138,409.04	$318,479,940.53	$3,658,468.51	—

* Includes $5,485,184.07 of U. S. Government securities.

DECEMBER 31, 1953 and 1952

Liabilities		1953	1952	Increase	Decrease
Capital Stock:					
Authorized (Shares $50.00 Each)	$87,407,500.00				
Less Unissued and Nominally Issued	2,966,300.00				
Outstanding		$84,441,200.00	$ 84,441,200.00	—	—
Premiums and Assessments on Capital Stock		365,713.93	365,713.93	—	—
Total Capital Stock		84,806,913.93	84,806,913.93	—	—
Long Term Debt:					
Funded Debt Unmatured	$136,637,650.00				
Held By or For Carrier	33,960,300.00				
Outstanding		102,677,350.00	109,397,300.00	—	$6,719,950.00
Equipment Obligations		29,986,581.14*	26,121,174.80	$3,865,406.34	—
Total Long Term Debt		132,663,931.14	135,518,474.80	—	2,854,543.66
Current Liabilities:					
Audited Accounts and Wages Payable		3,881,856.46	3,750,748.76	131,107.70	—
Miscellaneous Accounts Payable		1,195,595.35	1,202,974.86	—	7,379.51
Interest Matured Unpaid		363,776.88	360,037.34	3,739.54	—
Dividends Matured Unpaid		7,308.31	6,497.51	810.80	—
Unmatured Interest Accrued		1,312,047.16	1,306,331.36	5,715.80	—
Accrued Accounts Payable		194,987.81	206,014.13	—	11,026.32
Taxes Accrued		2,677,936.41	3,765,138.65	—	1,087,202.24
Other Current Liabilities		465,302.86	613,961.24	—	148,658.38
Total Current Liabilities		10,098,811.24	11,211,703.85	—	1,112,892.61
Deferred Liabilities:					
Deferred Payments, Grade Crossing Eliminations		1,910,366.68	2,018,093.85	—	107,727.17
Liability for Exchange of Leased Lines Stock		30,500.00	31,400.00	—	900.00
Other Deferred Liabilities		61,408.91	62,164.83	—	755.92
Total Deferred Liabilities		2,002,275.59	2,111,658.68	—	109,383.09
Unadjusted Credits:					
Other Unadjusted Credits		1,296,034.02	898,720.99	397,313.03	—
Total Unadjusted Credits		1,296,034.02	898,720.99	397,313.03	—
Surplus:					
Unearned Surplus:					
Paid-In Surplus		40,375.34	40,375.34	—	—
Other Unearned Surplus		81,494.70	80,256.70	1,238.00	—
Total Unearned Surplus		121,870.04	120,632.04	1,238.00	—
Earned Surplus—Appropriated		600.00	121,028.24	—	120,428.24
Earned Surplus—Unappropriated		91,147,973.08	83,690,808.00	7,457,165.08	—
Total Surplus		91,270,443.12	83,932,468.28	7,337,974.84	—
Grand Total		$322,138,409.04	$318,479,940.53	$3,658,468.51	—

* Includes $4,011,313.76 maturing within one year.

INCOME ACCOUNT for the years ended December 31, 1953 and 1952

	1953	1952	Increase or Decrease Amount	Per Cent
Revenues:				
Transportation of Anthracite Coal	$ 7,142,814.70	$10,323,139.92	$ 3,180,325.22*	30.81
Transportation of Bituminous Coal	4,439,942.21	5,038,768.35	598,826.14*	11.88
Transportation of Merchandise	60,019,118.99	58,728,361.73	1,290,757.26	2.20
Transportation of Passengers	9,558,102.48	9,900,391.49	342,289.01*	3.46
Transportation of Mail	2,897,818.20	2,816,959.32	80,858.88	2.87
Transportation of Express	1,230,250.39	1,250,058.08	19,807.69*	1.58
Transportation of Milk	387,367.55	506,476.47	119,108.92*	23.52
Other Revenue from Transportation	2,075,319.84	2,464,395.42	389,075.58*	15.79
Incidental Revenue	1,898,921.62	2,146,194.96	247,273.34*	11.52
Total Revenues	89,649,655.98	93,174,745.74	3,525,089.76*	3.78
Expenses:				
Maintenance of Way & Structures	10,590,095.47	10,102,675.37	487,420.10	4.82
Maintenance of Equipment	15,259,231.95	16,730,089.18	1,470,857.23*	8.79
Traffic Expenses	2,157,825.97	1,987,987.83	169,838.14	8.54
Transportation Expenses	38,197,357.57	39,597,846.86	1,400,489.29*	3.54
Miscellaneous Operations	442,615.29	456,216.68	13,601.39*	2.98
General Expenses	2,886,347.18	2,775,269.58	111,077,60	4.00
Total Expenses	69,533,473.43	71,650,085.50	2,116,612.07*	2.95
Net Revenue from Railway Operations	20,116,182.55	21,524,660.24	1,408,477.69*	6.54
Less Railway Tax Accruals	9,869,502.83	11,163,449.81	1,293,946.98*	11.59
Railway Operating Income	10,246,679.72	10,361,210.43	114,530.71*	1.11
Equipment Rents—Net Dr.	159,229.56	Cr. 420,284.66	579,514.22	—
Joint Facility Rents—Net Cr.	100,395.65	75,780.38	24,615.27	32.48
Net Railway Operating Income	10,187,845.81	10,857,275.47	669,429.66*	6.17
Other Income:				
Income from Lease of Road and Equipment	1,882.59	1,882.59	—	—
Miscellaneous Rent Income	119,212.63	120,141.22	928.59*	.77
Income from Nonoperating Property	995,453.07	587,794.58	407,658.49	69.35
Dividend Income	901,195.20‡	777,445.20	123,750.00	15.92
Interest Income	306,261.90	217,518.48	88,743.42	40.80
Income from Sinking and Other Reserve Funds	7,995.00	7,988.17	6.83	.09
Miscellaneous Income	75,998.44	75,970.46	27.98	.04
Total Other Income	2,407,998.83	1,788,740.70	619,258.13	34.62
Total Income	12,595,844.64	12,646,016.17	50,171.53*	.40
Miscellaneous Deductions from Income:				
Miscellaneous Tax Accruals	376,310.60	392,512.90	16,202.30*	4.13
Miscellaneous Income Charges	145,629.39	109,346.48	36,282.91	33.18
Total Miscellaneous Deductions	521,939.99	501,859.38	20,080.61	4.00
Income Available for Fixed Charges	12,073,904.65	12,144,156.79	70,252.14*	.58
Fixed Charges:				
Interest on Funded Debt, Fixed—Page 23	4,842,923.17	4,903,309.49	60,386.32*	1.23
Interest on Unfunded Debt	54,312.57	56,590.50	2,277.93*	4.03
Amortization of Discount on Funded Debt	26,291.12	36,056.18	9,765.06*	27.08
Total Fixed Charges	4,923,526.86	4,995,956.17	72,429.31*	1.45
Income after Fixed Charges	7,150,377.79	7,148,200.62	2,177.17	.03
Other Deductions:				
Interest on Funded Debt, Contingent—Page 23	498,499.00	546,440.00	47,941.00*	8.77
Total Other Deductions	498,499.00	546,440.00	47,941.00*	8.77
Net Income	$ 6,651,878.79	$ 6,601,760.62	$ 50,118.17	.76

* *Decrease*

‡ *Includes Dividends of $783,750.00 from New York, Chicago & St. Louis R. R. Co.*

OPERATING REVENUES for the years ended December 31, 1953 and 1952

			Increase or Decrease	
Transportation—Rail Line:	**1953**	**1952**	**Amount**	**Per Cent**
Freight	$71,601,875.90	$74,090,270.00	$ 2,488,394.10*	3.36
Passenger	9,558,102.48	9,900,391.49	342,289.01*	3.46
Baggage	6,243.27	8,999.47	2,756.20*	30.63
Parlor and Chair Car	14,476.70	17,858.38	3,381.68*	18.94
Mail	2,897,818.20	2,816,959.32	80,858.88	2.87
Express	1,230,250.39	1,250,058.08	19,807.69*	1.58
Other Passenger-Train	132,169.29	131,955.51	213.78	.16
Milk	387,367.55	506,476.47	119,108.92*	23.52
Switching	1,156,625.79	1,350,546.94	193,921.15*	14.36
Water Transfers—Freight	82,724.34	124,939.09	42,214.75*	33.79
Water Transfers—Passenger	290,478.31	328,933.39	38,455.08*	11.69
Water Transfers—Vehicles and Live Stock	346,309.52	448,335.28	102,025.76*	22.76
Water Transfers—Other	46,292.62	52,827.36	6,534.74*	12.37
Total Rail-Line Transportation Revenue	$87,750,734.36	$91,028,550.78	$ 3,277,816.42*	3.60
Incidental:				
Dining and Buffet	$ 348,135.98	$ 366,748.10	$ 18,612.12*	5.07
Station, Train and Boat Privileges	171,515.80	181,573.17	10,057.37*	5.54
Parcel Room	2,243.20	2,548.35	305.15*	11.97
Storage—Freight	133,108.58	235,276.58	102,168.00*	43.42
Storage—Baggage	738.83	1,046.90	308.07*	29.43
Demurrage	324,297.06	362,309.37	38,012.31*	10.49
Communication	1,368.94	1,489.96	121.02*	8.12
Rents of Buildings and Other Property	271,003.25	301,463.14	30,459.89*	10.10
Miscellaneous	646,509.98	693,739.39	47,229.41*	6.81
Total Incidental Operating Revenues	$ 1,898,921.62	$ 2,146,194.96	$ 247,273.34*	11.52
Total Railway Operating Revenues	$89,649,655.98	$93,174,745.74	$ 3,525,089.76*	3.78

* *Decrease*

STATEMENT of EARNED SURPLUS — UNAPPROPRIATED
For the year ended December 31, 1953

	Debits	Credits
Credit Balance, December 31, 1952		$83,690,808.00
Miscellaneous Credits:		
Excess of Par Value over Cost of Bonds Reacquired		1,368,733.68
Release of Surplus Applied to Sinking and Other Reserve Funds (Contra)		4,576,587.46
Other		331,617.22
Credit Balance Transferred from Income		6,651,878.79
Surplus Applied to Sinking and Other Reserve Funds (Contra)	$ 4,496,159.22	
Dividend Appropriations of Surplus	844,412.00	
Miscellaneous Debits	131,080.85	
Credit Balance, December 31, 1953	91,147,973.08	
TOTAL	$96,619,625.15	$96,619,625.15

COMPARATIVE STATEMENT OF FREIGHT TRAFFIC MOVEMENT
For the years 1953 and 1952

COMMODITY	1953 (TONS)	1952 (TONS)	INCREASE (TONS)	DECREASE (TONS)
Products of Agriculture	2,070,043	2,076,636		6,593
Products of Animals	575,916	584,184		8,268
Products of Mines	11,194,569	12,394,124		1,199,555
Products of Forests	477,187	518,362		41,175
Manufactures and Miscellaneous	9,435,237	9,133,114	302,123	
Total Tonnage	23,752,952	24,706,420		953,468

OPERATING RESULTS and STATISTICS

For the years ended December 31, 1953 and 1952

	1953	1952	Per Cent of Increase or Decrease
Locomotive-Miles:			
Freight-Train Locomotives — Steam	6,621	212,429	96.88 D
Freight-Train Locomotives — Diesel	3,715,660	3,592,730	3.42
Passenger-Train Locomotives — Steam	154,148	622,456	75.24 D
Passenger-Train Locomotives — Diesel	1,970,045	1,648,472	19.51
Switching Locomotives — Steam	79,122	614,622	87.13 D
Switching Locomotives — Diesel	3,166,899	2,754,203	14.98
Total Revenue Locomotive-Miles	9,092,495	9,444,912	3.73 D
Train-Miles:			
Freight Trains — Steam	4,288	173,076	97.52 D
Freight Trains — Diesel	3,269,667	3,111,039	5.10
Passenger Trains — Steam	145,066	575,193	74.78 D
Passenger Trains — Diesel	1,727,766	1,417,216	21.91
Passenger Trains — Motor	1,817,019	1,826,984	.55 D
Mail, Express and Milk Trains — Diesel	183,256	184,593	.72 D
Total Revenue Train-Miles	7,147,062	7,288,101	1.94 D
Car-Miles:			
Loaded Freight Cars	147,846,309	149,872,410	1.35 D
Empty Freight Cars	67,714,348	65,080,064	4.05
Caboose Cars	3,517,101	3,523,528	.18 D
Other Cars — Passenger Cars	466,259	656,988	29.03 D
Total Revenue Freight-Train Car-Miles	219,544,017	219,132,990	.19
Passenger Coaches	15,195,237	15,725,876	3.37 D
Sleeping and Parlor Cars	2,163,511	2,253,593	4.00 D
Other Passenger-Train Cars	9,853,039	10,190,714	3.31 D
Other Cars — Freight Cars	8,702	4,374	98.95
Total Revenue Passenger-Train Car-Miles	27,220,489	28,174,557	3.39 D
Tons of Revenue Freight Carried	23,752,952	24,706,420	3.86 D
Tons of Company Freight Carried	643,492	766,397	16.04 D
Ton-Miles of Revenue Freight	4,204,669,301	4,398,124,224	4.40 D
Ton-Miles of Company Freight	72,142,699	100,208,776	28.01 D
Ton-Miles, All Freight	4,276,812,000	4,498,333,000	4.92 D
Freight Train-Hours	189,120	199,060	4.99 D
Gross Ton-Miles (Cars and Contents), All Freight	9,642,534,000	9,839,445,000	2.00 D
Average Revenue per Ton-Mile (Cents)	1.70	1.68	1.19
Average Distance Hauled per Ton (Miles)	177.02	178.00	.55 D
Average Net Tons per Revenue Train-Mile	1,331.40	1,390.24	4.23 D
Average Tons per Loaded Car-Mile	28.93	30.01	3.60 D
Average Number of Cars in each Freight Train	67.06	66.73	.49
Average Gross Tons (Cars and Contents) per Revenue Locomotive-Mile	2,792.68	2,812.33	.70 D
Average Gross Tons (Cars and Contents) per Revenue Train-Mile	2,999.02	3,039.25	1.32 D
Average Gross Ton-Miles per Train-Hour	50,986	49,430	3.15
Revenue Passengers Carried	16,650,184	17,464,464	4.66 D
Revenue Passengers Carried One Mile	395,386,857	410,467,047	3.67 D
Average Revenue per Passenger-Mile (Cents)	2.42	2.41	.41
Average Distance Hauled per Passenger (Miles)	23.75	23.50	1.06
Average Number of Cars in each Passenger Train	7.03	7.04	.14 D
Average Passengers per Train-Mile	107	107	—
Average Passengers per Car-Mile	23	23	—

D — Decrease.

TAX ACCRUALS FOR YEARS 1944 TO 1953, INCLUSIVE

Calendar Year	Total Tax Accruals	Taxes per Dollar of Gross Revenue	Taxes per Dollar of Revenue after Operating Expenses
		Cents	Cents
1944	$14,600,932.27	18.48	66.06
1945	8,053,303.65	11.15	69.61
1946	5,151,585.48	7.41	46.55
1947	8,053,613.02	9.92	46.48
1948	10,532,130.72	11.52	46.64
1949	7,881,694.53	9.79	50.88
1950	9,089,736.80	11.04	49.54
1951	9,303,068.75	10.38	52.48
1952	11,163,449.81	11.98	51.86
1953	9,869,502.83	11.01	49.06

Tons of NEW RAIL laid in replacement and Tons of ROCK BALLAST applied during the years shown below

Year	Tonnage 141 lbs. to Yard	Tonnage 132 lbs. to Yard	Tonnage 130 & 131 lbs. to Yard	Tonnage 118 lbs. to Yard	Tonnage 105 lbs. to Yard	Total Tonnage All Weights	Total Tonnage Rock Ballast
1944	—	—	9,274	—	—	9,274	149,583
1945	—	—	7,482	—	767	8,249	166,774
1946	—	—	8,257	—	331	8,588	119,620
1947	—	—	6,265	1,850	7	8,122	171,806
1948	151	4,559	180	2,173	635	7,698	180,350
1949	—	7,581	12	—	462	8,055	129,475
1950	—	3,598	17	898	653	5,166	212,019
1951	—	4,264	1	569	—	4,834	184,451
1952	—	5,186	150	1	540	5,877	137,533
1953	—	7,198	8	53	606	7,865	144,248

PENSIONS

The Pension System was inaugurated June 1st, 1902. A statement of the cost for the last 10 years follows:

Calendar Year	AMOUNT	Calendar Year	AMOUNT
1944	$1,183,712.27	1949	2,380,700.52
1945	1,167,641.37	1950	2,385,868.30
1946	1,364,847.19	1951	2,551,090.54
1947	2,333,835.52	1952	2,597,703.07
1948	2,448,223.97	1953*	2,466,508.06
			$20,880,130.81

* Includes $2,357,346.98 paid as taxes to U. S. Treasury for benefit of railroad pension fund for employees.

MILES of ROAD OPERATED December 31, 1953

	Miles of Road
Delaware, Lackawanna and Western R. R.:	
Hoboken, N. J., to Buffalo, N. Y., via Boonton	395.15
West End Jct., Jersey City to Denville, N. J., via Morristown	34.47
Paterson Jct. to Paterson, N. J.	1.92
Montclair Branch—Roseville Jct. to Montclair, N. J.	4.20
Harrison—Kingsland Cut-Off	4.76
Summit, N. J., to Gladstone, N. J.	21.52
Chester Branch—Chester Jct. to Succasunna, N. J.	3.62
Phillipsburg Branch—Port Morris Jct. to Phillipsburg, N. J.	35.18
Sussex Branch—Netcong to Branchville, N. J.	21.39
Hampton, N. J., to Slateford Jct., Pa.	22.90
Portland, Pa., to Bath, Pa., and Branches	33.59
Bloomsburg Branch—Scranton to Northumberland, Pa.	78.98
Hanover & Newport Branch—Plymouth to Newport Center, Pa.	5.43
Syracuse Branch—Binghamton to Oswego, N. Y.	115.95
Cincinnatus Branch—Cortland Jct. to Cincinnatus, N. Y.	18.31
Utica Branch—Chenango Forks to Utica, N. Y.	83.76
Richfield Springs Branch—Richfield Jct. to Richfield Springs, N. Y.	21.73
Black Rock Branch—East Buffalo to Black Rock, N. Y.	9.69
Ithaca Branch—Owego to Ithaca, N. Y.	34.24
	946.79

TRACKAGE RIGHTS

New York, Ontario & Western R. R.	Mines in Pa. to Jct. with D., L. & W. in Pa.	7.98
New York, Ontario & Western R. R.	In City of Utica, N. Y.	.21
New York, Susquehanna & Western R. R.	Mines in Pa. to Jct. with D., L. & W. in Pa.	5.51
Pennsylvania R. R.	Northumberland, Pa.	.86
Central R. R. of N. J.	Lake Junction, N. J., to Hopatcong, N. J.	.83
	Total	962.18

MILES of ALL TRACKS OPERATED December 31, 1953

	Miles of Road	Second Main Track	All Other Main Track	Yard Tracks and Sidings	Total
Pennsylvania	250.04	134.16	57.18	220.63	662.01
New Jersey	219.74	112.58	35.13	242.76	610.21
New York	492.40	234.38	—	340.40	1,067.18
	962.18	481.12	92.31	803.79	2,339.40

DESCRIPTION	Authorized and Issued as of Dec. 31, 1953	Pledged as Collateral
Pennsylvania Division:		
First Mortgage Bonds, Series A, due May 1, 1980	$ 4,239,000.00	—
Refunding Mortgage and Collateral Trust Bonds, due May 1, 1985:		
Series A	2,771,400.00	—
Series B	3,286,000.00	—
Morris and Essex Division:		
First Refunding Mortgage Bonds, due December 1, 2000	33,810,000.00	—
Construction Mortgage Bonds:		
Series A, due November 1, 1955	9,863,000.00	$ 6,517,000.00
Series B, due November 1, 1955	15,000,000.00	9,772,000.00
Series C, due November 1, 1975	10,000,000.00	10,000,000.00
Collateral Trust Bonds, due May 1, 2042	11,337,450.00	—
New York, Lackawanna and Western Division:		
First and Refunding Mortgage Bonds, due May 1, 1973:		
Series A	12,622,000.00	—
Series B	9,782,000.00	—
Series C	5,216,300.00	—
Income Mortgage Bonds, due May 1, 1993	2,510,600.00	—
Lackawanna of New Jersey Division:		
First Mortgage Bonds, Series A, due May 1, 1993	7,060,000.00	—
First Mortgage Bonds, Series B, due May 1, 1993	2,562,000.00	—
U. C. & S. V. Division:		
Mortgage Bonds, due May 1, 1992	3,022,700.00	—
Warren Division:		
First and Refunding Mortgage Bonds, due August 1, 2000	1,211,000.00	—
Mortgage Bonds, due May 1, 1992	1,316,650.00	—
Oswego and Syracuse Division:		
Mortgage Bonds, due May 1, 1993	1,027,550.00	—
Total Mortgage and Other Funded Obligations	$136,637,650.00	$26,289,000.00
Equipment Trust, Series D, due November 1, 1956	1,275,000.00	—
Equipment Trust, Series E, due December 15, 1956	1,200,000.00	—
Equipment Trust, Series F, due August 15, 1957	1,120,000.00	—
Equipment Trust, Series G, due January 15, 1958	720,000.00	—
Equipment Trust, Series H, due March 15, 1964	2,646,000.00	—
Equipment Trust, Series I, due April 1, 1964	2,310,000.00	—
Equipment Trust, Series J, due April 1, 1965	1,596,000.00	—
Equipment Trust, Series K, due March 1, 1967	2,772,000.00	—
Equipment Trust, Series L, due January 15, 1968	6,480,000.00	—
Other Equipment Obligations	9,867,581.14	—
Total Equipment Obligations	29,986,581.14	—
GRAND TOTALS	$166,624,231.14	$26,289,000.00

EQUIPMENT OBLIGATIONS

Reacquired and Held in Treasury	Held for Delivery	Outstanding in Hands of Public	Interest Accrued in 1953			
			Fixed Interest		Contingent Interest	
			Per Cent	Amount	Per Cent	Amount
—	—	$ 4,239,000.00	4¾	$ 202,745.84	—	—
$ 299,600.00	—	2,471,800.00	5	130,512.18	—	—
598,200.00	—	2,687,800.00	4½	136,012.63	—	—
328,000.00	—	33,482,000.00	3½	1,196,062.50	—	—
448,000.00	—	2,898,000.00	5	148,661.96	—	—
2,004,000.00	—	3,224,000.00	4½	158,306.85	—	—
864,000.00	$ 9,550.00	10,463,900.00	4	437,833.82	2	$206,169.00
254,000.00	—	12,368,000.00	4	500,552.23	—	—
820,000.00	—	8,962,000.00	4½	421,649.78	—	—
112,100.00	2,100.00	5,102,100.00	5	256,519.22	—	—
117,800.00	1,500.00	2,391,300.00	—	—	5	118,690.00
662,625.00	9,150.00	6,388,225.00	4	263,585.88	—	—
365,125.00	3,050.00	2,193,825.00	—	—	4	83,490.00
459,800.00	1,400.00	2,561,500.00	3	80,652.05	2	49,994.00
34,000.00	—	1,177,000.00	3½	44,966.48	—	—
104,500.00	2,800.00	1,209,350.00	4	49,363.24	2	23,513.00
168,950.00	1,050.00	857,550.00	4	35,646.05	2	16,643.00
$7,640,700.00	$30,600.00	$102,677,350.00	—	$4,063,070.71	—	$498,499.00
—	—	1,275,000.00	2	30,453.33	—	—
—	—	1,200,000.00	2⅛	31,521.83	—	—
—	—	1,120,000.00	2⅛	26,031.93	—	—
—	—	720,000.00	2¾	21,083.33	—	—
—	—	2,646,000.00	2½	69,037.50	—	—
—	—	2,310,000.00	2½	59,062.50	—	—
—	—	1,596,000.00	2⅜	38,695.35	—	—
—	—	2,772,000.00	3	84,150.00	—	—
—	—	6,480,000.00	3⅛	116,467.42	—	—
—	—	9,867,581.14	Various	303,349.27	—	—
—	—	29,986,581.14	—	779,852.46	—	—
$7,640,700.00	$30,600.00	$132,663,931.14	—	$4,842,923.17	—	$498,499.00

	1953	1952	Increase	Decrease
I. Maintenance of Way and Structures				
Superintendence	$ 473,453.60	$ 441,781.37	$ 31,672.23	—
Roadway Maintenance	622,928.00	609,224.99	13,703.01	—
Tunnels and Subways	15,899.23	17,544.86	—	$ 1,645.63
Bridges, Trestles and Culverts	364,588.34	401,232.04	—	36,643.70
Ties	592,325.56	664,813.95	—	72,488.39
Rails	500,814.97	341,409.94	159,405.03	—
Other Track Material	460,317.92	365,534.38	94,783.54	—
Ballast	219,190.86	222,061.82	—	2,870.96
Track Laying and Surfacing	2,357,984.18	2,434,767.55	—	76,783.37
Fences, Snowsheds and Signs	41,141.75	36,088.17	5,053.58	—
Station and Office Buildings	511,881.31	481,161.51	30,719.80	—
Roadway Buildings	28,355.10	28,544.54	—	189.44
Water Stations	7,758.31	15,058.71	—	7,300.40
Fuel Stations	12,226.30	23,940.93	—	11,714.63
Shops and Enginehouses	171,910.21	203,176.12	—	31,265.91
Wharves and Docks	67,137.49	182,314.20	—	115,176.71
Coal and Ore Wharves	63,702.08	42,939.87	20,762.21	—
Communication Systems	157,180.46	129,558.23	27,622.23	—
Signals and Interlockers	638,256.19	575,539.56	62,716.63	—
Power Plants	13,571.02	1,886.77	11,684.25	—
Power Transmission Systems	179,681.64	229,011.12	—	49,329.48
Miscellaneous Structures	3,352.92	4,546.12	—	1,193.20
Road Property—Depreciation	1,582,038.49	1,580,393.99	1,644.50	—
Retirements—Road	549,412.43	115,953.33	433,459.10	—
Roadway Machines	199,934.66	171,433.69	28,500.97	—
Dismantling Retired Road Property	129,806.78	59,551.45	70,255.33	—
Small Tools and Supplies	242,149.41	214,456.14	27,693.27	—
Removing Snow, Ice and Sand	185,787.38	200,119.95	—	14,332.57
Public Improvements—Maintenance	66,505.17	76,112.55	—	9,607.38
Injuries to Persons	80,956.62	197,897.92	—	116,941.30
Insurance	112,371.21	108,352.03	4,019.18	—
Stationery and Printing	10,778.91	9,629.73	1,149.18	—
Other Expenses	12,736.05	4,737.25	7,998.80	—
Maintaining Joint Tracks, Yards and Other Facilities—Dr.	26,000.43	24,605.18	1,395.25	—
Maintaining Joint Tracks, Yards and Other Facilities—Cr.	112,039.51	112,704.59	665.08	—
Total	$10,590,095.47	$10,102,675.37	$ 487,420.10	—

12 Months ended December 31, 1953 and 1952

	1953	1952	Increase	Decrease
II. Maintenance of Equipment				
Superintendence	$ 424,330.38	$ 417,343.35	$ 6,987.03	—
Shop Machinery	238,467.31	232,842.46	5,624.85	—
Power Plant Machinery	150,611.44	176,571.13	—	$ 25,959.69
Shop and Power Plant Machinery—Depreciation	114,742.36	124,588.37	—	9,846.01
Dismantling Retired Shop and Power Plant Machinery	3,782.64	9,319.23	—	5,536.59
Steam Locomotives—Repairs:				
Freight	6,463.30	225,903.60	—	219,440.30
Passenger	57,246.66	256,899.23	—	199,652.57
Yard Switching	52,411.56	322,412.25	—	270,000.69
Other Locomotives—Repairs:				
Freight	1,373,184.76	1,425,223.11	—	52,038.35
Passenger	462,261.61	382,556.83	79,704.78	—
Yard Switching	670,807.48	567,485.34	103,322.14	—
Freight Train Cars—Repairs	4,274,888.92	5,059,220.90	—	784,331.98
Passenger Train Cars—Repairs	2,245,894.10	2,131,949.88	113,944.22	—
Floating Equipment—Repairs	1,005,105.35	1,447,013.31	—	441,907.96
Work Equipment—Repairs	152,296.69	139,999.45	12,297.24	—
Miscellaneous Equipment—Repairs	88,124.72	72,906.55	15,218.17	—
Dismantling Retired Equipment	21,303.32	10,593.62	10,709.70	—
Retirements—Equipment	6,506.17*	16,101.53*	9,595.36	—
Equipment Depreciation:				
Steam Locomotives	41,454.56	131,253.93	—	89,799.37
Other Locomotives	1,289,171.90	1,072,707.99	216,463.91	—
Freight Train Cars	1,296,626.93	1,273,516.73	23,110.20	—
Passenger Train Cars	491,546.01	495,358.90	—	3,812.89
Motor Equipment of Cars	99,006.00	99,006.00	—	—
Floating Equipment	280,334.56	237,327.19	43,007.37	—
Work Equipment	71,173.39	78,526.02	—	7,352.63
Miscellaneous Equipment	62,654.96	55,753.45	6,901.51	—
Injuries to Persons	124,026.67	162,793.76	—	38,767.09
Insurance	75,700.60	82,690.62	—	6,990.02
Stationery and Printing	12,607.35	11,980.84	626.51	—
Other Expenses	70,486.33	35,734.33	34,752.00	—
Joint Maintenance of Equipment Expenses—Dr.	9,694.11	10,192.94	—	498.83
Joint Maintenance of Equipment Expenses—Cr.	667.85	3,480.60	2,812.75	—
Total	$15,259,231.95	$16,730,089.18	—	$1,470,857.23
III. Traffic				
Superintendence	$ 569,869.86	$ 567,034.81	$ 2,835.05	—
Outside Agencies	1,216,026.69	1,156,888.36	59,138.33	—
Advertising	217,481.22	92,974.76	124,506.46	—
Traffic Associations	60,082.42	70,531.72	—	$ 10,449.30
Industrial and Immigration Bureaus	28,610.73	22,883.88	5,726.85	—
Insurance	537.27	490.97	46.30	—
Stationery and Printing	63,752.57	76,825.58	—	13,073.01
Other Expenses	1,465.21	357.75	1,107.46	—
Total	$ 2,157,825.97	$ 1,987,987.83	$ 169,838.14	—

**Denotes Credit*

	1953	1952	Increase	Decrease
IV. Transportation—Rail Line				
Superintendence	$ 999,151.00	$ 1,018,731.18	—	$ 19,580.18
Dispatching Trains	236,911.95	238,579.15	—	1,667.20
Station Employees:				
Agents, Clerks and Attendants	3,291,029.26	3,283,013.46	$ 8,015.80	—
Labor at Stations	3,595,968.74	3,805,165.44	—	209,196.70
Weighing, Inspection and Demurrage Bureaus	80,596.44	95,177.94	—	14,581.50
Coal and Ore Wharves	392,901.74	382,850.78	10,050.96	—
Station Supplies and Expenses	1,198,132.44	1,195,020.33	3,112.11	—
Yardmasters and Yard Clerks	1,507,465.10	1,486,203.90	21,261.20	—
Yard Conductors and Brakemen	3,249,181.45	3,358,352.28	—	109,170.83
Yard Switch and Signal Tenders	205,252.77	209,242.00	—	3,989.23
Yard Enginemen	2,203,469.58	2,194,806.38	8,663.20	—
Yard Switching Fuel	371,531.79	581,414.95	—	209,883.16
Water for Yard Locomotives	8,094.11	24,544.52	—	16,450.41
Lubricants for Yard Locomotives	46,314.48	57,131.31	—	10,816.83
Other Supplies for Yard Locomotives	16,399.04	17,365.24	—	966.20
Enginehouse Expenses—Yard	242,991.29	354,992.88	—	112,001.59
Yard Supplies and Expenses	82,271.03	76,220.58	6,050.45	—
Operating Joint Yards and Terminals—Dr.	69,098.09	70,801.85	—	1,703.76
Operating Joint Yards and Terminals—Cr.	177,989.70	116,228.75	—	61,760.95
Train Enginemen	2,761,086.24	2,933,762.59	—	172,676.35
Train Fuel	2,642,283.40	3,078,053.37	—	435,769.97
Train Power Produced	65,264.46	59,293.53	5,970.93	—
Train Power Purchased	642,046.17	638,088.96	3,957.21	—
Water for Train Locomotives	36,369.02	62,620.88	—	26,251.86
Lubricants for Train Locomotives	161,248.73	168,819.74	—	7,571.01
Other Supplies for Train Locomotives	100,436.26	101,834.85	—	1,398.59
Enginehouse Expenses—Train	637,723.88	700,536.62	—	62,812.74
Trainmen	4,135,170.79	4,146,454.85	—	11,284.06
Train Supplies and Expenses:				
Cleaning Cars	614,747.86	577,263.37	37,484.49	—
Heating Cars	104,425.86	90,952.37	13,473.49	—
Lighting Cars	69,202.83	85,009.68	—	15,806.85
Lubricating Cars	454,502.67	328,222.70	126,279.97	—
Icing and Watering Cars	140,998.07	108,790.41	32,207.66	—
Y. M. C. A.	7,291.19	7,063.38	227.81	—
Detouring Trains	607.34	1,412.80	—	805.46
Train Supplies	97,550.20	106,096.42	—	8,546.22
Other Expenses	689,087.45	569,723.27	119,364.18	—
Operating Sleeping Cars	120,000.00	160,000.00	—	40,000.00
Signal and Interlocker Operation	891,383.48	892,375.97	—	992.49
Crossing Protection	338,934.20	360,364.84	—	21,430.64
Drawbridge Operation	144,269.44	143,453.64	815.80	—
Communication System Operation	164,820.76	139,446.57	25,374.19	—

	1953	1952	Increase	Decrease
IV. Transportation—Rail Line—Continued				
Operating Floating Equipment:				
Superintendence	$ 183,136.42	$ 179,554.28	$ 3,582.14	—
Wages of Crews	1,881,025.23	1,993,929.91	—	$ 112,904.68
Fuel	528,602.40	461,241.95	67,360.45	—
Lubrication	12,814.93	12,931.54	—	116.61
Other Supplies and Departmental Expenses	128,231.03	146,213.43	—	17,982.40
Other Expenses	66,672.29	55,071.97	11,600.32	—
Elevation and Longshore Labor	1,089,715.04	1,297,138.61	—	207,423.57
Stationery and Printing	147,726.53	136,878.68	10,847.85	—
Other Expenses	43,623.08	17,829.33	25,793.75	—
Operating Joint Tracks and Facilities—Dr.	54,483.09	53,084.73	1,398.36	—
Operating Joint Tracks and Facilities—Cr.	91,369.15	95,779.06	4,409.91	—
Insurance	91,190.25	89,832.47	1,357.78	—
Clearing Wrecks	52,803.31	77,026.18	—	24,222.87
Damage to Property	70,411.65	49,022.63	21,389.02	—
Damage to Live Stock on Right of Way	3,966.13	1,470.41	2,495.72	—
Loss and Damage—Freight	821,513.54	873,543.97	—	52,030.43
Loss and Damage—Baggage	883.36	1,352.94	—	469.58
Injuries to Persons	473,707.54	454,476.66	19,230.88	—
Total	$38,197,357.57	$39,597,846.86	—	$1,400,489.29
VI. Miscellaneous Operations				
Dining and Buffet Service	$ 442,615.29	$ 456,216.68	—	$ 13,601.39
Total	$ 442,615.29	$ 456,216.68	—	$ 13,601.39
VII. General				
Salaries and Expenses of General Officers	$ 279,173.23	$ 290,659.05	—	$ 11,485.82
Salaries and Expenses of Clerks and Attendants	1,713,998.84	1,660,858.92	$ 43,139.92	—
General Office Supplies and Expenses	165,577.31	138,257.94	27,319.37	—
Law Expenses	311,508.65	301,711.12	9,797.53	—
Insurance	579.03	583.48	—	4.45
Pensions	190,412.21	182,987.46	7,424.75	—
Stationery and Printing	62,733.57	62,592.31	141.26	—
Valuation Expenses	7,409.45	6,522.96	886.49	—
Other Expenses	169,939.15	146,646.29	23,292.86	—
General Joint Facilities—Cr.	14,984.26	15,549.95	565.69	—
Total	$ 2,886,347.18	$ 2,775,269.58	$ 111,077.60	—
Total Operating Expenses	$69,533,473.43	$71,650,085.50	—	$2,116,612.07

STATEMENT OF OPERATIONS

Year	Gross Revenues	Operating Expenses	Taxes	Equipment and Joint Facility Rents—Net Debit	Net Railway Operating Income	Additional Income—Net
1934 . . .	$44,592,529.70	$35,506,790.68	$4,292,969.72	$288,589.41	$4,504,179.89	$1,460,620.18
1935 . . .	44,722,233.11	36,968,499.33	3,805,004.73	361,120.72	3,587,608.33	1,078,059.15
1936 . . .	49,728,115.95	39,184,541.43	4,016,989.78	164,066.77	6,362,517.97	1,215,916.21
1937 . . .	50,175,003.90	39,279,811.41	5,061,295.05	204,996.00	5,628,901.44	1,217,670.82
1938 . . .	44,188,480.96	36,022,909.71	5,124,180.31	531,769.92	2,509,621.02	1,217,248.91
1939 . . .	50,454,438.28	38,535,006.89	5,140,501.51	750,241.57	6,028,688.31	1,273,977.09
1940 . . .	51,891,975.22	39,814,991.82	5,348,324.03	383,035.10	6,345,624.27	1,311,878.98
1941 . . .	61,111,360.69	43,331,770.87	7,161,631.51	492,160.83	10,125,797.48	1,175,224.18
1942 . . .	72,544,984.75	48,464,633.28	12,034,942.48	396,592.76	11,648,816.23	918,593.80
1943 . . .	81,380,394.58	56,009,061.53	12,728,833.79	1,461,219.43	11,181,279.83	881,195.79
1944 . . .	79,029,144.44	56,926,747.29	14,600,932.27	1,081,353.08	6,420,111.80	848,991.73
1945 . . .	72,245,847.36	60,676,468.86	8,053,303.65	1,168,174.06	2,347,900.79	912,861.55
1946 . . .	69,481,551.40	58,413,674.37	5,151,585.48	807,033.88	5,109,257.67	670,606.28
1947 . . .	81,154,430.18	63,825,738.00	8,053,613.02	952,832.45	8,322,246.71	675,069.63
1948 . . .	91,426,345.24	68,844,763.67	10,532,130.72	686,646.67	11,362,804.18	492,680.11
1949 . . .	80,476,507.68	64,985,728.78	7,881,694.53	430,891.33	7,178,193.04	520,648.96
1950 . . .	82,343,567.59	63,995,304.38	9,089,736.80	210,541.46	9,047,984.95	374,655.62
1951 . . .	89,621,240.36	71,892,826.38	9,303,068.75	CR. 65,011.67	8,490,356.90	3,377,135.83
1952 . . .	93,174,745.74	71,650,085.50	11,163,449.81	CR. 496,065.04	10,857,275.47	1,286,881.32
1953 . . .	89,649,655.98	69,533,473.43	9,869,502.83	DR. 58,833.91	10,187,845.81	1,886,058.84

for the years shown below

Income Available for Fixed Charges	Interest on Funded Debt—Fixed	Rent for Leased Roads and Equipment	Other Fixed Charges	Interest on Funded Debt—Contingent	Net Income	Net Income Per Share $50 par
$ 5,964,800.07	$ 900.00	$7,606,227.09	$330,285.80	—	D $1,972,612.82	D $1.17
4,665,667.48	33,288.77	7,510,039.91	54,643.65	—	D 2,932,304.85	D 1.74
7,578,434.18	175,592.45	7,507,628.11	28,060.99	—	D 132,847.37	D .08
6,846,572.26	171,293.36	7,578,694.84	33,356.49	—	D 936,772.43	D .55
3,726,869.93	162,359.99	7,452,330.05	67,133.84	—	D 3,954,953.95	D 2.34
7,302,665.40	220,440.36	7,498,492.37	92,717.46	—	D 508,984.79	D .30
7,657,503.25	260,039.46	7,083,255.42	108,931.19	—	205,277.18	.12
11,301,021.66	223,598.22	7,083,255.42	322,470.13	—	3,671,697.89	2.17
12,567,410.03	154,001.67	6,964,950.42	298,973.19	—	5,149,484.75	3.05
12,062,475.62	172,019.57	6,987,781.42	213,915.81	—	4,688,758.82	2.78
7,269,103.53	142,794.39	6,987,781.42	51,346.31	—	87,181.41	.05
3,260,762.34	2,902,858.61	3,481,100.08	55,588.65	$113,359.91	D 3,292,144.91	D 1.95
5,779,863.95	4,929,882.72	200,115.40	62,559.30	551,090.48	36,216.05	.02
8,997,316.34	4,889,581.81	5,909.91	275,364.43	569,134.31	3,257,325.88	1.93
11,855,484.29	4,829,418.46	—	205,469.93	564,361.57	6,256,234.33	3.70
7,698,842.00	4,771,217.24	—	141,269.31	562,145.98	2,224,209.47	1.32
9,422,640.57	4,843,409.97	—	145,893.06	590,588.98	3,842,748.56	2.28
11,867,492.73	4,851,308.95	—	88,817.28	555,503.00	6,371,863.50	3.77
12,144,156.79	4,903,309.49	—	92,646.68	546,440.00	6,601,760.62	3.91
12,073,904.65	4,842,923.17	—	80,603.69	498,499.00	6,651,878.79	3.94

D — *Denotes Deficit.*

EQUIPMENT, December 31, 1953, OWNED or LEASED

	Units Acquired During the Year	Retired from Service During the Year	Number in Service Dec. 31, 1953
Locomotives:			
Steam — Freight	—	19	—
Steam — Passenger	—	15	—
Steam — Switching	—	8	16
Diesel Electric — Road	15	—	140
Diesel Electric — Switching	5	—	74
Total	20	42	230
Freight Cars:			
Coal Cars (including Gondolas)	500	352	6,819
Box Cars	—	154	7,549
Refrigerator Cars	—	46	204
Covered Hopper Cars	200	4	823
Container Gondola Cars	—	—	80
Stock Cars	—	—	2
Flat Cars	—	—	41
Caboose Cars	24	32	143
Total	724	588	15,661
Passenger Cars:			
Coaches	—	—	127
Milk Cars	—	17	52
Baggage and Express Cars	—	—	161
Motor Cars — Electric	—	—	141
Motor Trailers — Coach	—	—	120
Motor Trailers — Passenger and Baggage	—	—	15
Motor Trailers — Passenger and Mail	—	—	3
Motor Trailers — Club	—	—	4
Parlor Cars	—	1	4
Sleeping Cars	—	—	28
Passenger and Baggage Cars	—	—	12
Passenger and Mail Car	—	—	1
Baggage and Mail Cars	—	—	15
Dining Cars	—	—	6
Buffet Lounge Cars	—	—	6
Postal Cars	—	—	4
Total	—	18	699
Company Service Equipment:			
Miscellaneous Work Equipment	—	20	339
Air Dump Cars	—	18	56
Locomotive Cranes	—	2	13
Snow Plows and Snow Flanges	—	—	18
Pile Drivers and Light Steam Derricks	—	1	1
Heavy Steam Derricks	—	—	5
Scale Test Cars	—	—	2
Business Cars	—	—	3
Spreaders (Dirt)	—	—	3
Work Floating Equipment	—	—	7
Total	—	41	447
Floating Equipment :			
Ferry Boats	—	2	7
Tug Boats	—	1	12
Barges, Lighters and Floats	20	27	176
Total	20	30	195

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK 4

ACCOUNTANTS' CERTIFICATE

The Delaware, Lackawanna and
Western Railroad Company:

We have examined the balance sheet of The Delaware, Lackawanna and Western Railroad Company as of December 31, 1953, and the related statements of income and of earned surplus-unappropriated for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and of earned surplus-unappropriated present fairly the financial position of the Company at December 31, 1953, and the results of its operations for the year then ended, in conformity with principles of accounting prescribed or authorized by the Interstate Commerce Commission.

Haskins & Sells

New York,
February 19, 1954.

SERVICE AGENCIES

For the convenience of the shipping and traveling public, Lackawanna maintains the following sales and service offices in principal cities of the United States and Canada to provide prompt and efficient service to its patrons.

ALBANY 7, N. Y.
N. M. SCHMITZ
General Agent
Room 5, Delaware & Hudson Bldg.
Albany 3-4517

BINGHAMTON, N. Y.
W. E. DOWNS
Division Passenger Agent
Lackawanna Station
Binghamton 4-1311

BOSTON 14, MASS.
W. S. WILCOX
General Agent
150 Causeway Street
Capital 7-8970

BROOKLYN, N. Y.
HAROLD J. AMBRUSTER
City Freight Agent
Pier 13, North River
Barclay 7-2500

BUFFALO 2, N. Y.
E. C. ENNIS
General Freight Agent
Lackawanna Station
Washington 4800

NEIL A. MITTS
General Agent
Passenger Department
11 West Genesee Street
Cleveland 2488

CHICAGO 4, ILL.
R. K. LOVITT
General Freight Agent
327 South La Salle Street
Wabash 2-3443

CINCINNATI 2, OHIO
CLINTON C. RAU
General Agent
1332 Enquirer Bldg.
Main 0730

CLEVELAND 14, OHIO
L. M. BLUM
General Agent
310 Park Bldg.
Main 1-0435

DETROIT 26, MICH.
A. H. SNIDER
General Agent
730 Lafayette Bldg.
Woodward 1-6727

EASTON, PA.
Z. LEE MATHERS
General Agent
402 Northampton Street
Easton 9021

HOUSTON, TEXAS
J. H. WILLIAMS
General Agent
411 Bankers Mortgage Bldg.
Preston 0969

INDIANAPOLIS 4, IND.
ARCHIBALD McCLAY
General Agent
622 Board of Trade Bldg.
Franklin 8280

KANSAS CITY 6, MO.
H. E. SIMPSON
General Agent
623 Dwight Building
Victor 2226

LOS ANGELES 14, CALIF.
H. C. BUFFUM
General Agent
108 West Sixth Street
Tucker 2067

MILWAUKEE 3, WIS.
GROVER C. HOWE
General Agent
1315 Majestic Bldg.
Marquette 8-6410

MINNEAPOLIS 1, MINN.
A. D. LEONARD
General Agent
940 Metropolitan Bldg.
Lincoln 9394

NEWARK 2, N. J.
GEORGE R. MARR
Division Freight Agent
Lackawanna Station
Humboldt 2-2100

T. V. WALL
Division Passenger Agent
502-503 Griffith Bldg.
Market 3-3440

NEW HAVEN 10, CONN.
WILLIAM J. WYNNE
General Agent
Malley Bldg.
Main 4-2466

NEW YORK 7, N. Y.
ELLIOTT E. BROTHERS
General Agent
GEORGE L. BOLTON
Dairy Agent
Pier 13, North River
Barclay 7-2500

W. E. CARBONE
General Passenger Agent
500 Fifth Avenue at 42nd Street
Room 842
Lackawanna 4-0234

PHILADELPHIA 2, PA.
HOWARD A. WHITNEY
General Agent
1606 Finance Bldg.
Rittenhouse 6-2848-2849

PITTSBURGH 22, PA.
W. P. CAMPION
General Agent
502 Park Bldg.
Atlantic 1-0463

PORTLAND 5, ORE.
FRED W. DOST
Traveling Freight Agent
1200 S.W. Morrison St.
Atwater 2979

ST. LOUIS 1, MO.
W. A. BRANNING
General Agent
1871-1872 Railway Exchange Bldg.
Main 2460

SAN FRANCISCO 5, CALIF.
A. B. COLLINS
General Agent
805 Monadnock Bldg.
Sutter 1-7515

SCRANTON 3, PA.
G. J. EPPLER
Division Freight Agent
J. H. VAN WIE
Division Passenger Agent
Lackawanna Station
Diamond 2-9251

SEATTLE 1, WASH.
JOSEPH D. GIVEN
General Agent
707 Jones Bldg.
Main 3055

SYRACUSE 2, N. Y.
H. R. O'HARA
Division Freight Agent
Lackawanna Station
Syracuse 2-9211

TOLEDO 4, OHIO
HAROLD H. BALK
General Agent
1301 Toledo Trust Bldg.
Adams 1817

TORONTO 1, ONT.
J. S. BRANNING
Canadian Agent
911 Royal Bank Bldg.
Empire 4-7635

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY—December 31, 1953

Board of Managers

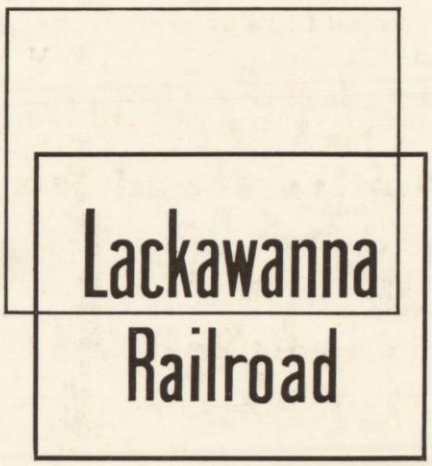
M. Hartley Dodge
Roy C. Gasser
Paul Moore
Roy E. Tomlinson
Arthur A. Houghton, Jr.
Willard F. Place
Robert W. Lea
Robert G. Fuller
Lewis G. Harriman
Lee P. Stack
Ralph D. Jennison
William H. Moore
W. Paul Stillman
P. M. Shoemaker

Executive Committee

P. M. Shoemaker
Roy C. Gasser
Arthur A. Houghton, Jr.
Willard F. Place
Robert G. Fuller

Officers

President	P. M. Shoemaker	New York, N. Y.
Vice-President—Traffic	C. F. Farmer	New York, N. Y.
Assistant Vice-President—Traffic	H. C. Schmidt	New York, N. Y.
General Manager	W. G. White	New York, N. Y.
General Counsel	R. L. Davis, Jr.	New York, N. Y.
Chief Engineer	G. A. Phillips	Hoboken, N. J.
Secretary and Treasurer	J. G. Enderlin	New York, N. Y.
Comptroller	P. D. Jonas	New York, N. Y.
General Superintendent	Fred Diegtel	New York, N. Y.
General Traffic Manager	J. L. Barngrove, Jr.	New York, N. Y.
General Supt. of Motive Power & Equipt.	F. T. James	Scranton, Pa.
Freight Traffic Manager	J. S. Sikora	New York, N. Y.
Passenger Traffic Manager	W. H. Dominick	New York, N. Y.
Manager of Purchases and Stores	C. F. Bayer	New York, N. Y.


Lackawanna
Railroad